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April 27, 1999

BY HAND DELIVERY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
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Washington, DC 20554

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APR 27 1999
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Ex Parte Communications in CS Docket No. 98-120

Dear Ms. Salas:

On April 27, 1999, Lawrence R. Sidman and Sara W. Morris of Verner, Liipfert, Bernhard, McPherson & Hand, on behalf of Thomson Consumer Electronics, sent by electronic mail a copy of the attached document to the following staff members concerning issues relative to the above-referenced proceeding:

Susan Fox, Sr. Legal Advisor to Chairman Kennard
Anita Wallgren, Legal Advisor to Commissioner Ness
Paul Misener, Chief of Staff and Sr. Legal Advisor to Commissioner Furchtgott-Roth
Helgi Walker, Legal Advisor to Commissioner Furchtgott-Roth
Jane Mago, Sr. Legal Advisor to Commissioner Powell
Rich Chessen, Sr. Legal Advisor to Commissioner Tristani
Robert M. Pepper, Office of Plans and Policy
Jonathan Levy, Office of Plans and Policy
Jon Wilkins, Office of Plans and Policy
Amy Nathan, Office of Plans and Policy
Bruce Franca, Office of Engineering and Technology
Alan Stillwell, Office of Engineering and Technology
Robert Bromery, Office of Engineering and Technology
Michael Lance, Cable Services Bureau
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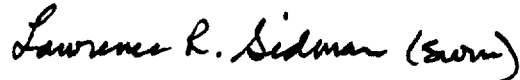
Ms. Magalie Roman Salas

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In accordance with Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, an original and one copy of this letter, including attachments, are being filed with your office. Please direct any questions concerning this matter to the undersigned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lawrence R. Sidman (sum)".

Lawrence R. Sidman

Enclosure

cc (without enclosures):

Susan Fox, Sr. Legal Advisor to Chairman Kennard
Anita Wallgren, Legal Advisor to Commissioner Ness
Paul Misener, Chief of Staff and Sr. Legal Advisor to Commissioner Furchtgott-Roth
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XCA DIGITAL COPY PROTECTION SYSTEM GAINING MOMENTUM

LAS VEGAS, April 19, 1999 -- Proving the viability of their new digital copy protection system, Zenith Electronics Corporation and Thomson Consumer Electronics today demonstrated the first hardware implementation of a "smart card" for their technology to protect against unauthorized copying of TV programs and movies in the digital age.

Jointly proposed by Thomson and Zenith, the system -- dubbed "XCA" for Extended Conditional Access -- allows for copy protection of home recordings on both one-way and two-way interfaces and uses a renewable security system.

XCA is easily and inexpensively implemented for all digital interfaces (such as the IEEE 1394 Interface and the EIA-762 and EIA-761 RF Remodulator Standards) that will be used between digital TV sets and other digital devices, including digital VCRs, DVD players, digital satellite, internet boxes, cable TV equipment and computers.

At the 1999 National Association of Broadcasters convention here this week, Zenith and Thomson are demonstrating a smart card-based copy protection system that authorizes viewing of a digital TV program encrypted with the XCA system. When the card is inserted into a slot on the front of the prototype Zenith DTV receiver/decoder box, the encoded program is viewable, showing real-time descrambling of XCA bitstreams. The companies also are showing how free DTV programming is processed without the smart card.

"Digital copy protection is very important for the successful rollout of digital television throughout the U.S.," said Tom Sorensen, Zenith vice president, Digital Business Development. "Digital transmissions can be duplicated without degradation. This necessitates an effective and flexible means of preventing the creation of multiple generations of perfect digital copies."

Ed Milbourn, product manager for Digital Television at Thomson, said, "Other copy protection proposals present no mechanism to prevent multiple generations of in-the-clear copies. Any copies of a program made by a consumer might be easily duplicated by others - including video pirates. The XCA method will only allow copies of encrypted data."

The XCA method avoids complex two-way key exchange schemes and allows for simple one-way copy protection across any digital interface. The joint Thomson/ Zenith proposal also eliminates the need for embedded software secrets in all digital consumer devices that could someday be "hacked."

Another major problem with the other proposals is that they are interface-specific. Manufacturers would be required to support different copy protection solutions if they choose to implement different digital interfaces. This is likely not acceptable to the consumer electronics industry as it introduces unnecessary complexity to digital product design and manufacturing, resulting in a cost increase.

Thomson and Zenith -- among the largest TV marketers in the U.S. and accounting for about one-third of all TV sales -- have submitted their XCA proposal to an engineering working group of the Consumer Electronics Manufacturers Association (CEMA), a committee formed to evaluate the impact of different architectures for protecting copyrighted digital content on consumer electronics devices. XCA also has been presented to several Hollywood studios as they consider how best to manage copy protection in the digital era.

With XCA, manufacturers would not be required to build overly complex software into consumer devices. Some copy protection schemes proposed by other companies permit disabling a TV or VCR through the cable TV connection. Consumers would be forced to determine what led to the deactivation, and how to restore the product's usefulness.

"The beauty of XCA is its simplicity. It's easily renewable with a simple 'smart card,' much like current digital satellite receiving systems. And our

method would keep pirates at bay in the digital environment," Thomson's Milbourn said.

CONTACT:

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Dave Arland, Thomson (317) 587-4450